

**SURREBUTTAL TESTIMONY OF
GREGORY M. LANDER
ON BEHALF OF
SOUTH CAROLINA COASTAL CONSERVATION LEAGUE AND
SOUTHERN ALLIANCE FOR CLEAN ENERGY
DOCKET NO. 2019-3-E**

INTRODUCTION

1
2 **Q. Can you please state your name and employment?**

3 **A.** My name is Gregory M. Lander. My business address is 83 Pine Street, Suite 101,
4 West 3 Peabody, MA 01960, and my email address is glander@skippingstone.com.

5 **Q. On whose behalf are you testifying?**

6 **A.** The South Carolina Coastal Conservation League and the Southern Alliance for
7 Clean Energy.

8 **Q. What is the purpose of your surrebuttal testimony?**

9 **A.** To respond to Mr. Phipps.

10 **DISCUSSION**

11 **Q. Can you please briefly summarize your direct testimony?**

12 **A.** Yes. An electric utility that has natural gas-fired units, like DEC, has contracts
13 with multiple natural gas pipelines to deliver gas to its power plants. It may also purchase
14 gas from sellers with their own pipeline capacity which enables delivery to locations
15 where the utility, like DEC, can either burn the gas for generation or transport it on a
16 local distribution company (LDC) system for delivery to the utility's gas-fired plants.¹
17 Where the generation unit is supplied under pipeline contracts held by the utility and
18 since generation at those gas units varies on a daily basis, sometimes the utility has more

¹ Such sellers may also deliver gas into pipelines on which the utility has contracts to deliver to its plants or to LDCs serving its plants.

1 pipeline capacity under contract than it needs on a given day, or in a given hour. DEC's
2 customers pay 100% of those pipeline contract's fixed costs, regardless of use, unless
3 DEC monetizes the unused capacity. There are two ways to monetize this capacity:
4 releasing the capacity to third parties or using the unused capacity to sell gas to third
5 parties at a profit. If a utility does neither of these options, the unused capacity lies
6 fallow, costing ratepayers unnecessarily. I had hoped in this case to review DEC's usage
7 of its pipeline contracts on an hourly basis over the fuel period to analyze how often it
8 has unused capacity and explore whether it could have monetized that capacity.
9 Unfortunately, and very surprisingly, DEC has no idea how much unused capacity it has
10 on a daily and hourly basis because it does not track or report that information. Mr.
11 Phipps's testimony confirms this lack of data. As such, we have no idea how much
12 money ratepayers are paying in this proceeding for capacity that DEC did not use to
13 ratepayer benefit, nor do we have any insight into whether DEC could have monetized
14 that unused capacity to reduce ratepayer costs.

15 **Q. Do you have any response to Mr. Phipps's testimony?**

16 **A.** Several. First, Mr. Phipps seems to have totally missed my fundamental point that
17 DEC should be monetizing unused and unneeded capacity. Obviously, third party sales
18 or releases should not occur where the utility needs the capacity for generation. At this
19 point however, as Mr. Phipps makes clear, neither we nor the Commission have any data
20 to conduct such an analysis, and Mr. Phipps simply asserts, without evidentiary support,
21 that DEC is already doing the best it could. Instead of supporting his claims with
22 evidence, Mr. Phipps rejects the idea of offering, or even reviewing such evidence.

1 **Q.** On page 4, Mr. Phipps states that “DEC is responsible for ensuring that the
2 needed gas supply and transportation capacity is not only available for its own
3 power generation needs, but also for DEP’s power generation needs.” Do you have
4 any comment?

5 **A.** Well, this raises concerns about one ratepayer group subsidizing another. If DEC
6 ratepayers are paying for pipeline capacity that DEC is using for DEP’s power generation
7 needs, we have no insight into whether and how much DEP ratepayers are reimbursing
8 DEC ratepayers for that use. If the AMA Mr. Phipps is talking about does what he says it
9 does, then – to protect DEC ratepayers – this Commission should have insight into how
10 DEC uses its capacity for both DEC and DEP power generation. If anything, this requires
11 DEC to track and report more data to the Commission about its management of pipeline
12 contracts, not less data.

13 **Q.** What do you think of Mr. Phipps’s response to your testimony on capacity
14 releases?

15 **A.** Again, Mr. Phipps utterly misses the point. In his rebuttal testimony at page 5, he
16 states that I “may be incorrectly assuming that the Company’s transportation redelivery
17 agreements with the Local Distribution Company’s (“LDCs”) to generation specific
18 plants are somehow available for capacity release transactions.” I never made any such
19 assertion.

20 **Q.** What did you actually say?

21 **A.** DEC has contracts with interstate pipeline companies. Those pipelines connect to
22 LDCs. Those LDCs, in turn, connect to DEC’s power plants. This is somewhat
23 speculative because – again – DEC refuses to provide data, but I assume that sometimes

1 DEC uses its interstate pipeline contracts to deliver quantities of gas to LDC receipt
2 points. I assume also that DEC uses its contracts on LDC systems to deliver gas to DEC
3 power plants. I further assume, again because DEC will not provide data, DEC
4 sometimes delivers more gas to the LDC receipt points than is burned at the correlated
5 DEC power plant. If DEC delivers more gas to the LDC than is ultimately delivered to
6 the power plant, the excess gas must go somewhere else. Presumably, DEC sells the gas
7 at some margin to the LDC for non-power generation uses.

8 **Q. How does that tie back to capacity release?**

9 **A.** Because it means that DEC is using its capacity on the interstate pipeline system
10 to deliver more gas to the LDC than DEC needs for power generation. This, in turn,
11 means DEC has more interstate pipeline capacity, in that given day or hour, than it needs
12 for power generation. That capacity – not the LDC capacity – could be released on the
13 secondary market.

14 **Q. Could DEC release that capacity for a larger margin than it makes on selling**
15 **gas to the LDC?**

16 **A.** It could, but we don't know because DEC either does not have, or will not
17 produce, the data.

18 **Q. On page 5 Mr. Phipps states that “daily and intraday flexibility is needed to**
19 **manage the . . . risk of penalties associated with Operational Flow Orders (“OFOs”)**
20 **on Transco” Do you have any comment?**

21 **A.** This is a red herring that has nothing to do with my testimony. Transco assesses
22 OFOs if one or more party(ies) either take(s) more gas out of Transco's system in a

1 specific zone than the party had scheduled to take in that zone.² Since gas systems must
2 maintain balance, Transco – like most pipelines – requires such parties to put an amount
3 of gas back into the pipeline system equal to what they are taking out of it. Historically,
4 some parties that have taken out more gas than they put in have returned the gas to
5 Transco in a different zone from where they took it out, which can create a financial
6 benefit to that party to Transco’s operational detriment.

7 **Q. So how is this relevant to your testimony?**

8 **A.** It’s not. First, as long as DEC follows Transco’s rules, there is no risk of a
9 penalty. Notably, Mr. Phipps claims there have been 108 OFOs this year, but he makes
10 no mention of how many – if any – have applied to DEC. Second, and more importantly,
11 none of this is at all relevant to my recommendation that the Company track and report its
12 daily and hourly utilization data. I am not suggesting the Company sacrifice reliability. I
13 am merely pointing out the obvious: sometimes the Company may be charging customers
14 for capacity it is not using, but we cannot evaluate the existence, or significance, of that
15 possibility without actual data. Normally, I’d recommend that the Company improve its
16 operational practices, but here we don’t even have enough data to evaluate the current
17 practices, so all I can do is recommend that the Company actually track and report its
18 usage for future evaluation.

19 **Q. Speaking of daily and hourly utilization data, Mr. Phipps says it would be**
20 **burdensome to comply with your recommendation. What is your response?**

21 **A.** Frankly, I think it’s disingenuous. Mr. Phipps has admitted on page 7 that the
22 Company “uses plant fuel consumption data for operational purposes” The

² An OFO can also be called by the pipeline if the reverse is true, and it puts operational stress on the pipeline.

1 implication of his complaint is that they do not – or will not – simply record that
2 consumption data as it occurs. Instead of recording and reporting data that will enable
3 this Commission to ensure ratepayers are paying as little as possible for reliable service,
4 the Company instead says the Commission should **not** have such data and should –
5 instead – accept Mr. Phipps’s unsupported claim on page 8 that “the Company has made
6 and continues to make every effort to minimize fuel costs to customers while providing
7 reliable and cost-effective service to its customers.” Considering that’s the ultimate
8 question in this proceeding, it seems odd that DEC would assert the conclusion and then
9 refuse to provide data by which the Commission can scrutinize the assertion.

10 **Q. Does that conclude your testimony?**

11 **A. Yes.**

STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION
DOCKET NO. 2019-3-E

In re: Annual Review of Base Rates for Fuel Costs of Duke Energy Carolinas, LLC)))))))	CERTIFICATE OF SERVICE
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I hereby certify that the parties listed below have been served with one copy of the Surrebuttal Testimony of Gregory M. Lander by electronic mail or U.S. First Class Mail at the addresses set forth below:

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This 3rd day of September, 2019.

s/ William C. Cleveland, IV
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